

STEWARDSHIP POLICY

BACKGROUND:

The Insurance Regulatory and Development Authority of India has decided vide circular Ref No.: IRDA / F&A / GDL / CMP / 059 / 03 / 2017 dated 20th March 2017 to implement a code of stewardship for the insurers. The **Guidelines on Stewardship Code for Insurers in India** has been revised vide IRDAI circular ref: IRDAI/F&A/GDL/CPM/045/02/2020, dated 7th February 2020.

The said Guidelines envisages that Insurance companies, being significant institutional investors, holding investments as custodian of policyholders, should play an active role in governance of the investee companies and ensure that investee companies maintain corporate governance standards at high level. Therefore, insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This is expected to result in informed decisions by the parties and improve the return on investments of insurers which will ultimately benefit the policyholders.

The Guidelines, *inter alia* require the insurer to have a Policy as regards monitoring and engaging with investee companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration and conduct at general meetings of the investee companies and disclosures relating thereto.

POLICY STATEMENT

National Insurance Company's (NIC) 'Stewardship Policy' states and establishes that:

1. NIC shall monitor the investee companies.
 - a. NIC shall assess and monitor the performance, strategy, risk, capital structure, management, effectiveness of leadership and corporate governance of the investee company at regular interval. We may also use third party research to assist us in assessment of the company and the industry it operates in to have a better view of the investee company.
 - b. Level of monitoring will be dependent on the quantum of Investment. Higher exposure shall entail higher level of monitoring.
 - c. While discharging the stewardship function we shall insure that provisions of the SEBI Prohibition of Insider Trading Regulations (2015) are adhered to. Declarations shall be obtained from the concerned officials to ensure confidentiality of any material information while discharging the above functions

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2. NIC shall have a clear policy on intervention in their investee companies.

- a. NIC shall selectively intervene in the matters relating to the Investee company's strategy, performance, governance, approach to risks etc depending upon the exposure level of investment. The intervention at the initial level may be via communication/discussion/meeting with the management. Where a specific matter is communicated to the management of investee company but response is dissatisfactory, such cases may be escalated to the Board, raising the issue and voting on agenda items in the General meetings. Intervention with the companies may also be made through Insurance Council in case of industry level issues. Investment Committee would consider the mechanism for intervention and escalation to be adopted wherever deemed necessary.
- b. The intervention by NIC shall be at three levels depending on the level of investment in the investee company:
 - i. In case of share holdings (of less than 5% of paid up capital of Investee Company) / Debt exposure (of less than 5% of loans, debenture or bonds of Investee Company), NIC may adopt a passive approach. No serious involvement in the meetings and / or taking part in meetings is envisaged unless any other public sector, financial institution is involved as investor therein and interested in our representation / support.
 - ii. In case of share-holdings / Debt between 5% and 10%, NIC shall participate to the extent possible in the meetings; express its opinion and suggestions in the long term interest of the Investee Company.
 - iii. In case of share-holdings / Debt exceeding 10%, NIC will participate actively, if possible with representation on the board, continuous monitoring of the performance of the company and participation in meetings. Collaboration with other institutional investors shall also be made to protect the Policyholders interest in the long term.

3. Policy on voting activity and voting disclosure

- a. NIC will undertake active participation and voting on resolution/proposals of Investee companies where our holding of paid up capital of investee company is 3% and above. Voting on all resolutions should be in the normal course to support the existing management in the interest of stability and overall growth of the investee company in order to enhance the value of the investors. We may deviate in order to support the interest of the other Govt. financial institutions. Deviation shall be duly recorded

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with reason. Besides mandatory voting NIC will voluntarily participate in proposals which are of significant concern impacting the value of investments.

b. NIC shall disclose the reasons for voting for / against the resolutions of the investee companies as part of public disclosure where we have actively participated.

c. NIC will not engage in stock lending and recalling operations.

4. Policy for Collaboration with Other Investors

a. Collaboration with other Institutional Investors will be done on case to case basis where the matter is of significant concern or where a collective engagement will be more effective in the interest of the investors.

b. Even though NIC will form their own view and act independently in all voting decisions, we will engage with other Institutional Investors through informal and formal collaborations in order to safeguard the interest of investors.

5. Policy on managing conflicts of interests

a. NIC shall always keep the interest of its policyholders first in the case of conflicts of interest.

b. The conflict of interest may arise where the investee company is our associate/subsidiary/strategic partner, company/client or a company engaged in distribution of our Insurance products or any other company which may be relevant from time to time.

c. Our Company will resolve such conflicts harmoniously keeping in view the best interest of our policyholders and maintain records of minutes of such decisions Viz., referring such matters to Audit Committee if required, recusing persons from decision making in case of the person having any actual/potential conflict of interest in the transaction.

6. Training for Stewardship Activities

The dealing officials would be imparted training for effective discharge of Stewardship activities.

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7. COMPLIANCE, MONITORING & REPORTING

- a. Compliance with the Stewardship Policy does not construe active interference in management of day to day affairs of the investee company or preclude our decision to sell our holding when it is considered to be in the best interest of the policyholders.
- b. The Policy shall be disclosed on the Company's website within 30 days of approval by the Board, alongside other public disclosures. Any change / modification to the Policy shall be specifically disclosed at the time of updating the Policy on the website. NIC shall make periodical public disclosure on its website, the details of how its responsibilities under Stewardship Policy have been discharged.
- c. The reporting to Authority of Stewardship compliance shall be done in accordance with the guidelines issued by the Authority from time to time in the prescribed format.
- d. The **Audit Committee** shall monitor the compliance of stewardship related decisions and activities including voting mechanism at quarterly intervals and the same shall be placed before the Board for annual review.


(Sunita Tuli Nagpal)
General Manager



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